

# CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

## BILL ANALYSIS

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**Senate Bill 1580**

**Senator Burton (As introduced 2/20/02)**

**Position:**

**No Position (Staff recommendation)**

**Proponents:**

**CFT (Sponsor)**

**Opponents:**

**None known**

### **SUMMARY**

Senate Bill 1580 requires the four members of the Teachers' Retirement Board (Board) who are appointed by the Governor to represent active teaching and retired California State Teachers' Retirement System (CalSTRS) members to instead be elected by the members of the constituent group to which they belong.

### **LEGISLATIVE HISTORY**

SB 1746 (Polanco—2002) permits an elected official of a local agency to be appointed to the Board if he or she also meets the requirements for appointment as an officer of a bank or savings and loan institution and deletes the requirement that the officer's investment experience must be professional experience.

AB 311 (Honda, 2000) would have expanded the Board from 12 to 15 members and required the three additional Board members to be elected by the CalSTRS members of the group to which they belong. The Governor vetoed this bill.

Previous bills would have required that the four "teacher" members of the Board be elected from their respective constituencies rather than appointed by the Governor. They include:

- AB 2768 (PER&SS—1998), vetoed
- AB 885 (Honda—1997), vetoed
- SB 168 (Hughes—1996), died
- SB 277 (Hughes—1994), vetoed
- AB 216 (Hughes—1991), died

- AB 2642 (Elder—1990), vetoed
- AB 3194 (Elder—1988), vetoed

## **CURRENT PRACTICE**

Under existing law, the CalSTRS Defined Benefit (DB) Program and the Cash Balance (CB) Benefit Program are administered by the 12-member Board. Two of the 12 members of the Board must be CalSTRS members who are classroom teachers in kindergarten or grades 1 through 12, and another member must be a retired member of the system. A fourth member must be a school board member or a community college trustee. The Governor appoints all four of these members for 4-year terms from a list submitted by the Superintendent of Public Instruction.

Another member of the Board is required to be a community college instructor with expertise in business or economics or both, and is appointed by the Governor for a four-year term from a list submitted by the Board of Governors of the California Community Colleges.

One member of the Board is required to be an officer of a life insurance company and one member of the Board is required to be an officer of a bank or savings and loan institution. An eighth member of the Board represents the public. The Governor appoints these members to four-year terms, subject to confirmation by the Senate. The remaining four members, the Director of the Department of Finance, the Superintendent of Public Instruction, the Controller and the Treasurer, are on the Board by virtue of their state office.

There have been numerous attempts over the past 15 years to make some portion of the Board's membership elected by active and retired members of the System. AB 311, the last such bill, would have expanded the Board from 12 to 15 members and required the additional three members to be elected by the members of the group to which they belong. In his veto message for that bill, Governor Davis stated: "While I support the election of STRS Board members, as well as the removal of restrictions on my current appointment authority, I believe that no more than two elected members would be an appropriate composition of the board. The expansion of the Board to 15 members would add unnecessary cost and could make it difficult for the Board to operate efficiently."

## **DISCUSSION**

SB 1580:

- Requires the two members of the Board who represent active K-12 members of the System be classroom teachers and be elected by active K-12 classroom teachers who are members of the DB Program or participants in the CB Benefit Program.

- Requires the member of the Board who represents community college members of the System must be a community college instructor and be elected by “active community college members of the System.”
- Deletes the requirement that the community college member of the Board be an instructor with experience in business or economics.
- Requires the member of the Board who represents retired members of the System be elected by the retired members of the DB Program and retired participants of the CB Benefit Program who receive an annuity.
- Requires the terms of the four Board positions elected by members of the System to commence upon the end of the term of each respective appointed member as of January 1, 2003.
- Requires the Board to adopt regulations to govern the conduct of elections of Board members.

According to the sponsor, the California Federation of Teachers, SB 1580 would democratize the Board and make it more responsive to the needs of the membership. As drafted, however there are groups of CalSTRS members who would be prevented from running for a seat on the Board, or being able to cast a vote for someone to represent them on the Board. Specifically, SB 1580 would prohibit active K-12 members who are not classroom teachers, such as administrative and other credentialed members, from running for the Board or voting in a Board election. (Restricting the vote to selected certificated employees also would be difficult for CalSTRS to administer because CalSTRS' records and databases do not distinguish between teachers and other certificated employees.) Members of the DB Program that receive a Disability Allowance under Coverage A would also not be permitted to vote for a Board member. Finally the specific language suggests that community college participants in the CB Benefit Program could not vote for the community college instructor seat. It also should be noted that, because some members work for both K-12 districts and community college districts, some basis would have to be established to determine which seat these members are eligible to vote for, if each member should only be able vote in one constituency.

On February 22, 2001, Governor Davis appointed four people to the Board, including three of the four seats that SB 1580 would require be elected by CalSTRS members. These appointed members serve 4-year terms on the Board. The bill requires the term of a member who is elected begin upon the expiration of the term in existence on January 1, 2003. Currently, one of the K-12 Board members is serving in an expired term. Assuming no appointment is made to this seat in 2002, the first CalSTRS Board election would occur sometime after January 2003. The three other seats would be elected in February 2005.

## **FISCAL IMPACT**

### Benefit Program Costs – None

Administrative Costs – CalSTRS would send Notice of Elections information to the membership, and nomination periods would be announced. In addition, guidelines on Statements of Qualifications would have to be prepared, and the candidate statements reviewed to ensure that guidelines are followed.

There would be additional costs to implement SB 1580, which would depend upon:

- Whether the elections are conducted solely by mail.
- If the elections were conducted by mail, whether pre-paid postage would be used.
- Whether ballots would be mailed to members First Class or Bulk Rate.
- Whether bar code ballots would be used, and if so, whether there would be a process to independently verify the signature of the voters.

Based on recently held elections held at California Public Employees' Retirement System (CalPERS) the costs to test and print ballots, print outer envelopes, print candidate statements and return envelopes, postage and counting and tabulating returned ballots, the estimated cost to conduct one election in 2003 would be approximately 83 cents per voter. Based on an active K-12 membership of 370,000, and assuming that the CalSTRS election would be conducted similarly to CalPERS the total estimated of one election in 2003 would be \$307,000. If a second election was conducted in 2005 with a total membership of 585,000, total estimated costs would be \$520,000. Over a four-year election cycle, the cost of the election process would average \$223,000 annually.

## **RECOMMENDATION**

No Position. Historically, the Board does not take positions on legislation affecting its selection or composition. However, there are groups of CalSTRS members and participants who would be precluded from participating in the selection of Board members.